WORKING TODAY FOR A SAFER TOMORROW

WCB
Workers Compensation Board of Manitoba

Five Year Plan 2003 – 2007

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This document is also available in large print format.

Please call 954-4760

For further information on the WCB's activities in 2002, please refer to the 2002 Annual Report.

Doug Sexsmith
President & Chief Executive Officer - Left

Wally Fox-Decent
Chairperson - Right

WCB of Manitoba
Five Year Plan 2003-2007
Working Today for a Safer Tomorrow

EXECUTIVE SUMMARY

The Workers Compensation Board of Manitoba opened its doors in 1917, and while the principles that govern it have changed little in the past 86 years, it has, nonetheless, evolved substantially. In the past decade alone, the WCB has been transformed. It has fundamentally altered its business processes to proactively help injured workers return to health and work in a safe and timely fashion.

The WCB is committed to making continuous improvements in the way it does business. This Five Year Plan outlines the WCB's strategic themes of Prevention, Recovery, Service, and Stewardship. These four themes will focus and drive new initiatives, and allow the WCB to make dramatic improvements to its service.

As a result of the recommendations released by the Review Committee on Improving Workplace Safety and Health in early 2002, the Government of Manitoba and the Workers Compensation Board will lead a sustained provincial initiative to create a strong workplace safety and health culture in Manitoba. Improving this culture requires action in four areas: creating greater public awareness and education; providing safety and health training for employers, supervisors and workers; enhancing prevention measures and standards that help prevent injuries from occurring; and building partnerships with others in the community.

The WCB and the Workplace Safety and Health Division of Manitoba Labour and Immigration have begun planning joint prevention initiatives that will work to create a stronger safety culture in Manitoba. The WCB and its partners aim to reduce the time loss injury rate by 25% over five years.

Research has shown that early return to work complements return to health. The WCB held a seminar with stakeholders seeking feedback on return to work issues in 2002. Several initiatives are scheduled to support improved return to work processes.

The WCB is addressing the need to improve healthcare services. A comprehensive strategy will examine ways to improve the delivery of appropriate and affordable healthcare services.

Customer service will be the focus of many initiatives. The WCB opened a new Northern office in Thompson in 2002. In addition, the Short Term Claims area of the WCB has been undergoing intensive redesign in an effort to speed the adjudication and payment processes. This project will continue for several years.

The WCB is responsible for protecting the resources entrusted to it. It will remain committed to preserving the lowest average assessment rate of all the provinces and the lowest average administration cost per time loss claim of all jurisdictions.

To ensure that staff have the capacity to deliver superior customer service, new training areas have been identified and will move forward in the coming planning period. The WCB is committed to the principles of employment equity and will also concentrate efforts in this area.

The Workers Compensation Board is dedicated to improving the way it does business, and it will continuously evaluate its performance to ensure that its services are timely, appropriate and cost-effective. This Five Year Plan reviews some past changes and introduces a blueprint for future initiatives.

OUR ACCOMPLISHMENTS

The WCB has undergone a transformation over the past decade. Rather than merely administering *The Workers Compensation Act*, it has committed itself to renewing its business processes so that it will be proactive in improving the safety and health of Manitobans.

In the autumn of 2000, after several years of planning and training, the WCB completed the implementation of a new case management model to improve services and outcomes for injured workers, particularly those with longer term claims, and employers. Under the new model, the WCB brought together previously separate functions and departments, and aligned service delivery teams with industry sectors. Bringing a team approach to case management makes timelier service delivery possible, and alignment along sector lines increases staff knowledge of an industry's injury profile and return to work opportunities.

In 2001, the WCB also introduced incentives within the Assessment Rate Model, which is an actuarial methodology to set the assessment rates for firms, to encourage prevention of accidents. The new model rewards employers and industry sectors with good claims experience and charges more to those with higher claims costs. The new model more fairly distributes responsibility for the cost of workers' compensation.

Further enhancements were made to the Assessment Rate Model in 2002. New risk categories were added that moved firms more quickly to the rate that reflected their overall accident experience.

Board of Directors

Left to right:
Ron Koslowsky, Ed Gallos, Paula Keirstead,
Doug Sexsmith, Dayna Hammond,
Wally Fox-Decent, Sharon Seabourne,
Bruno Zimmer, Bob Sample

Missing from the above photo:

Karen Naylor

Elaine Cowan

The WCB is committed to making continuous improvements in the way it does business. In 2002, the WCB identified four "themes" to help focus and drive new initiatives over the next five years.

- Prevention - protecting workers and preventing injuries and illnesses
- Recovery - returning workers to health and work
- Service - continuously improving services to workers and employers
- Stewardship - effectively managing human, technical and financial resources

Within these themes, the WCB completed a number of important initiatives in 2002. These are outlined below.

PREVENTION

The WCB established prevention as a priority and focused efforts on tasks associated with developing a longer term plan of action. Tasks included:

- The WCB and the Workplace Safety and Health Division of Manitoba Labour and Immigration instituted joint injury prevention planning. This initiative has as its five year goal the reduction of the time loss injury rate by 25%.
- The WCB has also rolled out an interactive performance feedback tool, or "ScoreCard," that recapitulates an employer's previous five years' claims costs and projects assessments for the next five years. The ScoreCard demonstrates to employers how reducing injuries and the effects of injuries through prevention and disability management can directly impact their bottom line.

RECOVERY

Returning workers to health and work is one of the prime mandates of the Workers Compensation Board.

The WCB began developing a comprehensive healthcare strategy designed to make significant improvements to the delivery of its healthcare services.

A seminar on return to work issues was sponsored by the WCB Board of Directors in June 2002. Participants heard that:

- the WCB, although primarily a facilitator in the return to work process, needs to be available to assist return to work activities by monitoring issues as necessary.

- there is a need for greater dialogue among workers, employers, healthcare providers, and the WCB; such a dialogue will facilitate the return to work process and improve trust among all parties,

- all parties see disability management programs as a valuable part of the workplace; however, it is often a challenge for small businesses to offer modified or alternate work to injured workers.

An action plan was developed and will be implemented in 2003. A follow-up seminar will also be held to track progress.

SERVICE

Continuously improving service delivery to its customers is always a high priority for the WCB. Its service must be of high quality not only in its own eyes, but in the eyes of its customers. Following is a list of some service improvement initiatives undertaken in 2002.

- In October 2002, the WCB officially opened a Northern regional office in Thompson to serve northeastern Manitoba.

- An automated clearance system was put in place to allow for the faster verification of coverage and good standing of contractors.

- On line reporting of accident information by employers was expanded and is speeding notification of accidents.

- The position of Director, Customer Service was created to ensure that the organization continues to focus on improving service delivery.

- The WCB began reengineering the adjudicate and pay process in Short Term Claims. This initiative will result in new processes to adjudicate claims and pay claimants more quickly.

- *The Workers Compensation Act* was amended to provide that if a full-time professional firefighter is employed for a prescribed minimum period, and develops one of several kinds of cancer, the WCB will accept that the illness is work-related, unless the contrary can be proven.

- The WCB began a preliminary study of part-time and voluntary firefighters to investigate whether this population is also at an increased risk of developing cancers.

To support these efforts, the WCB constantly monitors its customers' perceptions of its service delivery.

STEWARDSHIP

One of the WCB's core values is to prudently manage the human, technical, and financial resources entrusted to it. The WCB will ensure that its programs provide value to stakeholders, and that those who are at risk of occupational injury and illness receive the services to which they are entitled.

- The WCB has maintained a strong, fully-funded financial position. It has been able to preserve the lowest average assessment rate among all provinces and continues to have the lowest average administration cost per time loss claim. The WCB has strengthened its financial management and controls by:
  - incorporating a controller function into the Finance area to improve financial controls and accountability,
  - negotiating a three-year contract with the Manitoba Medical Association to provide predictability of costs over the next three years, and
  - creating a central purchasing function for goods and services for claimants.
- To ensure that its staff have the tools to provide the best possible service to clients, the WCB continues to make ongoing training and self improvement opportunities accessible to all.
- The WCB supports employment equity and diversity in the workplace, and established an Employment Equity Committee to help create and implement equitable hiring practices.
- As the WCB examines and revises its processes to provide the most effective and efficient service, it also changes the information technology systems that support them. Major changes to its systems were made over the past year to support service improvements around accident reporting.

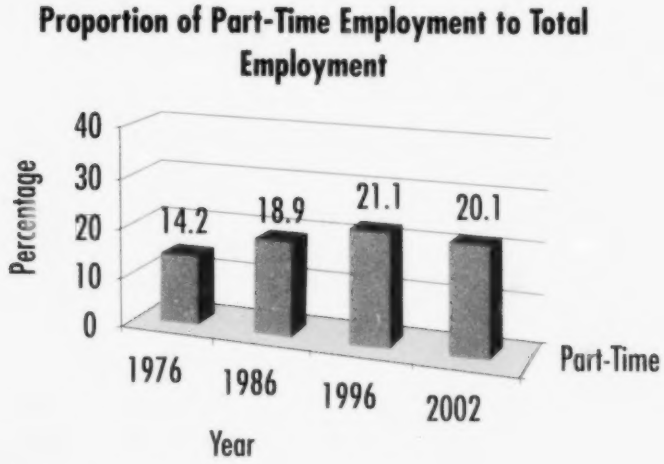
CHALLENGES AND FACTORS SHAPING THE FUTURE

Planning at the Workers Compensation Board of Manitoba involves the analysis of the economic, demographic, financial and claim trends that affect its operations. Such an analysis helps point to areas where resources may be needed and allows the WCB to identify challenges that may lie ahead.

EMPLOYMENT AND LABOUR MARKET TRENDS

Changing Nature of Work

Significant changes have occurred in the nature of work over the past decade. The introduction of new technology into workplaces, changing work processes, new management and human resource practices, and changes in the pace and complexity of work have had a substantial effect on the nature of compensable injuries.



Similarly, employment relationships are evolving as technology supports mobile workplaces and non-traditional forms of work, allowing workers to do their business outside of the office, in locations such as their homes and vehicles. It may be more difficult in these situations for employers to confirm that injuries have occurred. This in turn may make it more difficult for the WCB to adjudicate claims.

For several years, a major trend in employment growth has been the increase in part-time, on-call and non-standard employment, which represents about 20% of all jobs. In 2002, three-quarters of employment growth was in part-time jobs, many of which were filled by young workers.

This increase in part-time employment could create difficulties in re-employing injured workers wishing to return to full-time employment.

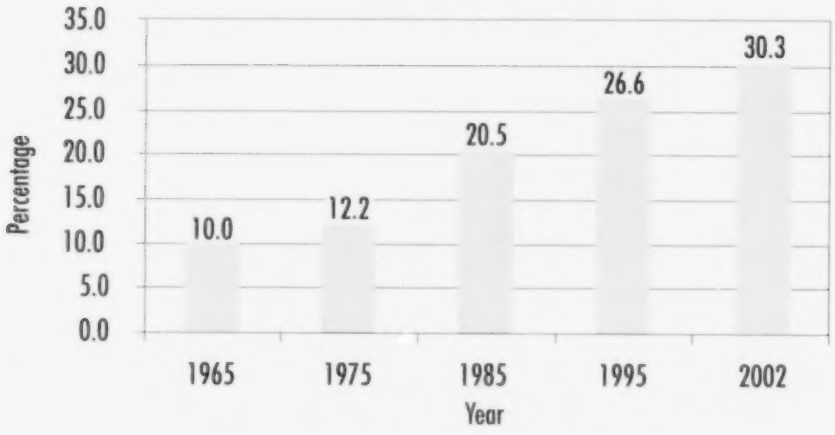
One critical characteristic of part-time and casual workers is that they are more likely to be younger and less averse to risk than older more experienced workers. On-call workers may be assigned to less favourable jobs, where they are less likely to receive health and safety training or to have specific knowledge about the work-related hazards in their workplaces.

Changing Industry Base

Over the past twenty years, there has been a notable swing away from the goods producing sector (manufacturing and natural resource based industries) towards service and knowledge based work. This changing employment structure directly impacts the number and types of injuries and illnesses, their costs and the WCB's service delivery strategy. A growing service sector and shrinking goods producing sector has resulted in a reduction of acute traumatic injuries, and a slow growth in soft tissue injuries such as sprains and strains.

The service sector is the largest labour market sector in Manitoba, with three-quarters of industry employment in 2001. Since many service sector firms are not required to obtain WCB coverage for their employees, employment growth in this sector could potentially increase the proportion of workers who are not eligible for benefits when they are injured at work or develop an occupational illness.

Women as a Percentage of Total Time Loss Claimants, 1965 - 2002



Changing Workforce Demographics

The labour force is becoming older and increasingly diverse. Census data indicates that 21% of Manitoba's population has a first language other than English or French. This will have an impact on the characteristics of WCB claimants in the future.

Increasing numbers of women have begun participating in the workforce over the last 40 years, finding employment predominately in the service sector. The proportion of time loss claims received from women has been increasing, up from 10% in 1965 to 30% in 2002.

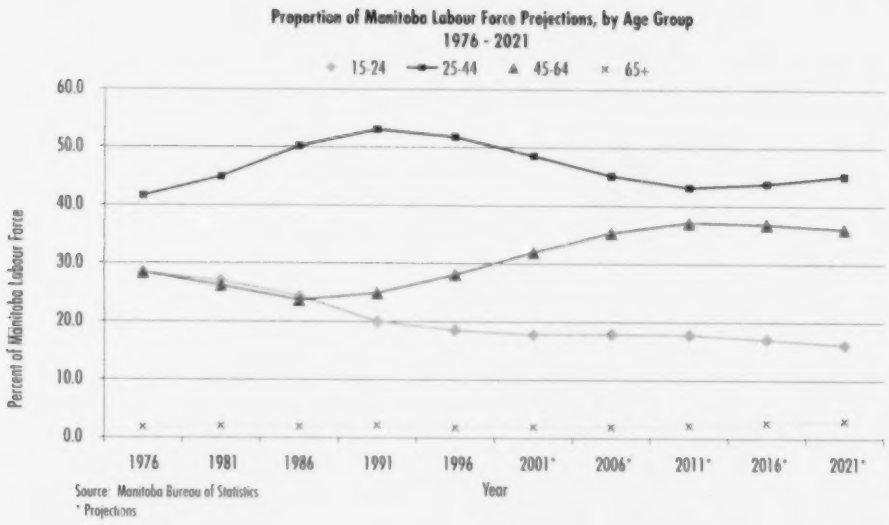
Women face different types of work-related injuries and health hazards and confront different recovery challenges than men. For example, women suffer a greater proportion of repetitive strain and other musculoskeletal injuries resulting in time loss claims than men do. These kinds of injuries typically have long durations.

Manitoba's Aboriginal population is expected to increase approximately 29% over the next 10 years. The Aboriginal population in Manitoba is younger than the non-Aboriginal population. As a result, as many as one in four new entrants into the labour force by 2026 may be Aboriginal.

Claimants of Aboriginal origin may have different service expectations. In addition, the education, employment, and health status of Aboriginal people will require attention.

Aging Workforce

Manitoba's workforce is aging as the baby boom generation grows older. The aging workforce is reflected in the distribution of WCB claimants. The average age of WCB claimants rose from 33.5 in 1988 to 37.3 in 2002.



The significance of an increasingly older workforce is as follows:

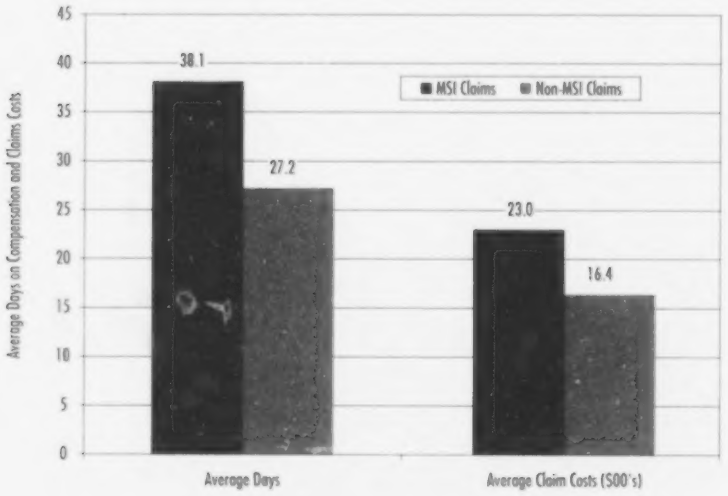
- older workers generally take longer to recover from their injuries, experience more recurrences, and suffer a disproportionate number of fatalities and injuries with permanent impairment compared to younger workers,
- older workers tend to have higher average salaries than younger workers, resulting in higher average claims costs, and
- at the same time, older workers have fewer accidents than younger workers.

ACCIDENT AND CLAIMS TRENDS

INJURY PROFILE

With changes to the industry base in Manitoba and changes in the nature of work will come changes to the kinds of injuries, disabilities and diseases faced by workers. Although catastrophic acute traumatic injuries, fatalities and historical occupational diseases still occur, there has been an increase in work-related musculoskeletal injuries, such as strains and sprains, which now constitute the majority of injuries and costs. In 1960, 27.6 % of injury claims were due to musculoskeletal injuries. By 2002, the proportion of these injuries increased to 57%. Musculoskeletal-related claims tend to have longer durations and higher claims costs.

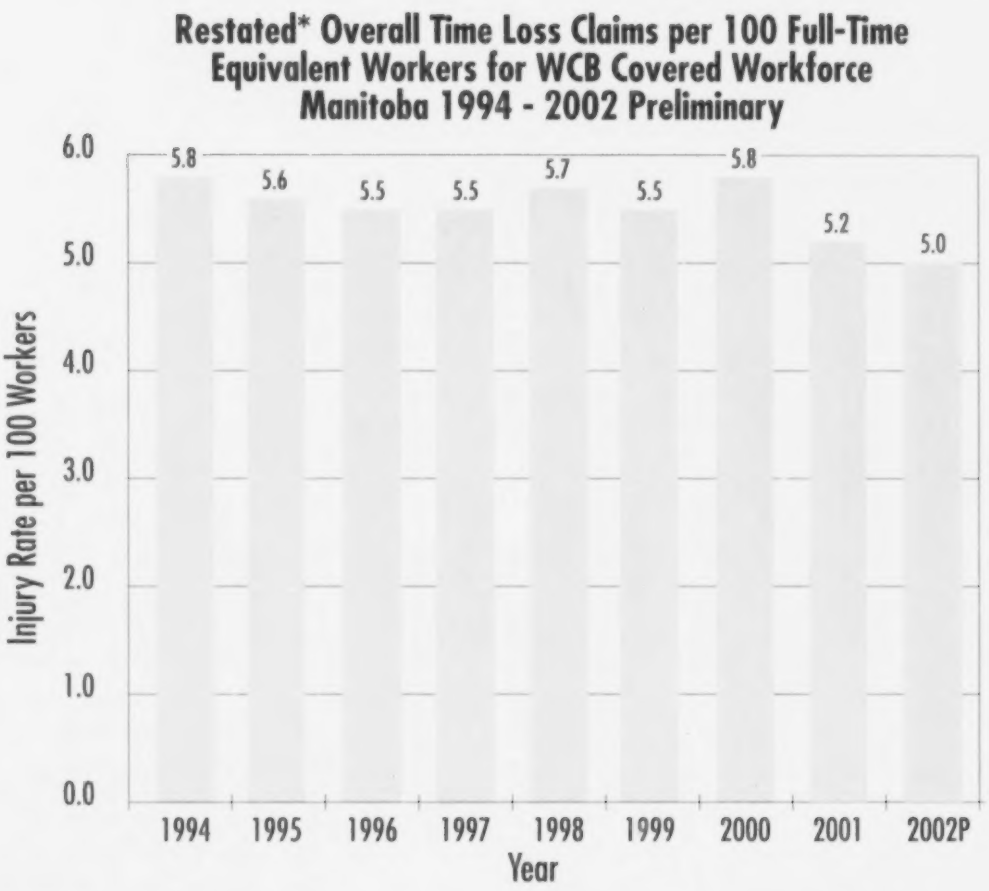
Average Compensation Days and Claim Costs ($00's) for Musculoskeletal (MSI) and Non-Musculoskeletal (Non-MSI) Injuries (1990 - 2002 (preliminary))



The growth in work-related musculoskeletal injuries poses prevention challenges for the WCB and its partners. Musculoskeletal injuries are complex and multi-factorial, and there is no one single intervention that can prevent these kinds of injuries. Solutions require the involvement of many agencies and players, particularly employers and health and safety committees. Workplace-based ergonomic initiatives will assist in preventing these injuries.

HIGH TIME LOSS CLAIM RATES

Manitoba did not record the same significant reduction in work-related injuries that occurred in other parts of Canada in the 1990s. Reported accidents and time loss claims in Manitoba remained high through the 1990s, resulting in a claims rate of between 5.5 – 5.8 accepted time loss claims for every 100 full-time equivalent workers in the covered workforce. There has, however, been a drop in time loss claims and injury rates in Manitoba since 2000.



*1994-2002 rates are not comparable to those previously published. The restated rates have incorporated Statistics Canada's new methodology for determining average weekly earnings. The 2001 rate updates the preliminary 2001 rate previously published.
Source: MB WCB Data.

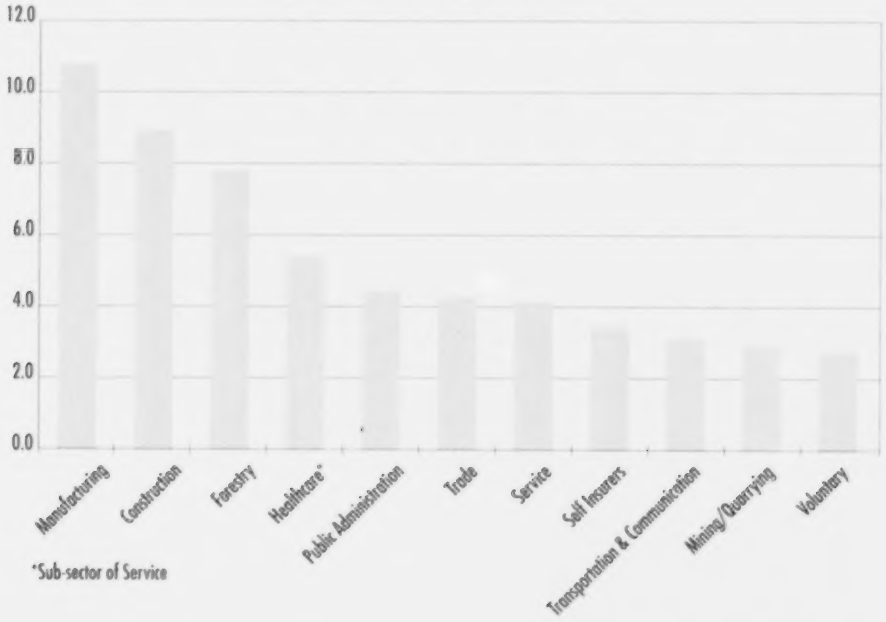
RISK OF INJURY

As a result of numerous factors, some workers are at greater risk of injury than others. Identifying high risk activities, firms, and sectors helps focus injury prevention efforts where they might have the greatest impact.

Young workers, for example, are historically at greater risk of injury than more experienced workers. This results from young workers' inexperience, lack of training, and their own sense of immortality. It is tragic when a promising career is cut short by a serious injury, or worse. In the last 14 years, 26 fatal claims were accepted for workers under the age of 25, the youngest being 16 at the time of death. On average, two young workers are killed in the workplace each year.

Manufacturing has the highest time loss claim rate and generates the largest proportion of claims. Employment growth in this sector continues and is expected to result in disproportionately more claims. While there was a drop in claims from the manufacturing sector in 2001, the time loss injury rate remains higher than any other industry sector, suggesting that prevention efforts must remain a priority for this sector.

Accepted Time Loss Claims per 100 Full-Time Equivalent Workers by Sector (2001)



SMALL EMPLOYERS

Approximately 90 percent of WCB registered employers are small (payrolls of less than $500,000), and the majority of new businesses in recent years have been small businesses. Small businesses employ only 20% of WCB covered workers. On the other hand, the 642 employers with payrolls in excess of $2 million employ over 60% of the workers covered by the WCB.

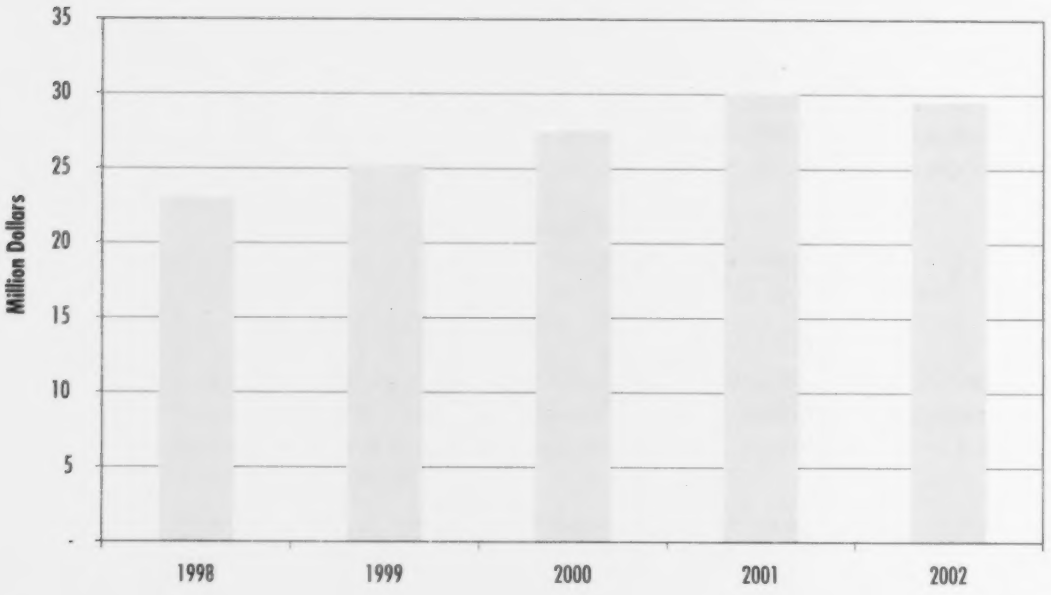
An analysis of 1998 claim costs by employer size revealed that companies with the highest average claims duration were small and medium sized. This is in large part due to the fact that smaller employers have fewer resources available to implement injury prevention and disability management programs.

HEALTHCARE SERVICES

The Workers Compensation Board falls outside the scope of *The Canada Health Act* and therefore pays healthcare providers and facilities directly for services provided to injured workers. It relies on the provincial healthcare system for the "nuts and bolts" of healthcare such as diagnostic testing, exams by specialists and access to surgical intervention.

Between 1998 and 2001, WCB costs for providing healthcare services to claimants rose at 7% per year—well beyond the rate of inflation. Healthcare costs in 2002, however, were down from 2001. Recent settlements with doctors and other healthcare providers in 2002, as well as a significant rise in the daily cost of hospital beds and other prices, will significantly impact the cost of healthcare in 2003 and these impacts will continue for the future.

WCB Healthcare Expenditures
1998 - 2002



Access to healthcare services and waiting times for surgery continues to be a national issue. The public debate on Canada's healthcare system will shape the WCB's operating environment as it fulfills its mandate to supervise and control healthcare services to injured workers.

To control healthcare costs, the WCB continuously reviews its healthcare service use. This ensures that the needs of injured workers and employers are being appropriately served.

SERVICE CHALLENGES

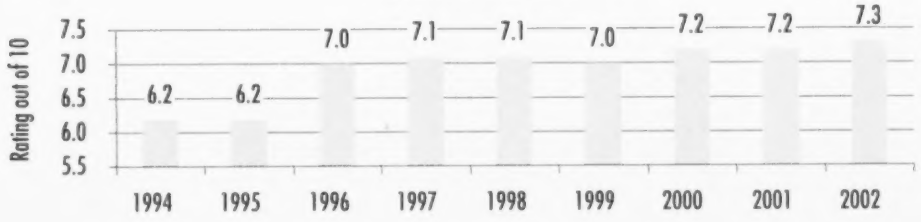
The WCB is committed to listening to its stakeholders' needs and to providing them with superior service. The challenge is that superior service, as defined by customers, is a bar that is always being raised higher and higher. Service levels that were superior several years ago are now considered only acceptable. The WCB does not operate in a vacuum. As its customers receive faster, better, more efficient service from other providers, they, in turn, expect the same level from the WCB. Constant improvements in technology, processes, training, and information sharing are needed to keep pace with the spiral of increasing expectations.

Injured workers have told the WCB quite clearly that timeliness of claim processing and benefit payment is their number one priority. Sixty-four percent feel that anything longer than two weeks from the time they notify the WCB until the time they receive their first payment is unacceptable. Our current processes and technical environment make gathering the necessary information within this tight time frame a challenge.

Ideally, injured workers will have an uninterrupted income during their recovery. The average number of calendar days from the loss of earnings date to the first payment for routine time loss claims fluctuates from year to year. Approximately 39% of all routine time loss claims receive first payment within 15 days of loss of earnings.

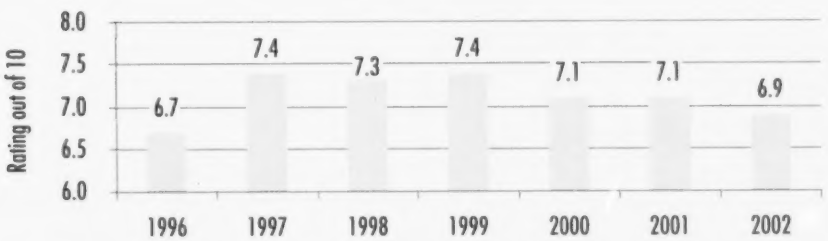
Injured workers have other expectations of the WCB: they want an easy, hassle-free process without having to deal with a number of different people; they want regular contact and information sharing; and they want friendly, courteous treatment that makes them feel like a person instead of a number. And, of course, they want to receive the full benefits and services they are entitled to. Efforts at WCB are focused on meeting these expectations more consistently. The results of customer satisfaction surveys indicate that the WCB is making progress toward this goal.

Injured Worker Satisfaction



Employers' expectations of the WCB are not all that different from those of injured workers. Employers have told the WCB that they expect prompt, accurate payment of claims, fair and honest treatment, clear communication and information sharing, and courteous service. In 2002, 86% of employers said that those expectations have been met or exceeded. The WCB will work to continuously improve service delivery to employers.

Employer Satisfaction



Of concern to employers is the effectiveness of the WCB in assisting workers to return to health and to work quickly and safely. The vast majority of injured workers return to their pre-injury job or to an alternate form of employment. In 2002, 85% of injured workers had returned to work at the time of file closure. This was similar to the previous year when 86% had returned to work at time of file closure.

The likelihood that an injured worker will return to employment after a work-related injury is influenced by a complex interrelation of factors in addition to severity of injury, healthcare or compensation services. Some of the other factors include age, length of time on compensation and occupation at time of injury.

FINANCIAL ISSUES

The WCB is in a strong financial position as it has reserves of $75 million. Manitoba's funding level of 102.7% (assets divided by liabilities plus special purpose reserves) is significantly higher than the Canadian WCB weighted average of 84.5% (2001), indicating the relative strength of Manitoba's financial position. Manitoba is one of an expected two or three jurisdictions to have a positive balance in its accident fund.

In 2001, the latest year for which inter-jurisdictional figures are available, the Manitoba WCB had the lowest administration costs per time loss claim of any compensation authority in Canada. When one compares the ratio of claims to staff complement, each Manitoba WCB staff member handles more time loss claims and reported accidents than at any other WCB in Canada.

After the longest and strongest rise in history, stock markets around the world experienced a severe downturn beginning in 2000. Investment income is stabilized by the use of the WCB's 60 month smoothing policy for recognition of capital gains and losses. However, the use of smoothing means that the reduction in investment returns over the past two years will have an impact on the WCB's financial picture over the next five years.

FACING OUR CHALLENGES

Given the existing employment and labour market trends, accident and claim trends, and investment environment, the WCB can probably expect over the next five years to experience:

- continued pressure on claims costs,
- increasing healthcare costs and pressure for improved access to healthcare,
- increasing client desire for improved service, and
- less income from investments than in the late 1990s.

While the current environment poses challenges, it offers opportunities as well. Opportunities exist to work with community partners to implement prevention strategies, to foster the development of programs to return workers to health and work and to dramatically improve service. The WCB is aware of the challenges it faces, and is actively pursuing many strategies that will enable it to grasp these opportunities.

WORKING TODAY FOR A SAFER TOMORROW: A BLUEPRINT FOR 2003–2007

INJURY PREVENTION: PROTECTING WORKERS AND PREVENTING INJURIES AND ILLNESSES

In 2001, the Government of Manitoba initiated a major review of workplace safety and health in Manitoba. A committee comprised of labour, management and technical specialists with extensive workplace safety and health experience conducted the review. After an extensive series of public hearings, the committee issued its report in January 2002.

The report, endorsed by the Government, directs the WCB and the Workplace Safety and Health Division of Manitoba Labour and Immigration to assume joint responsibility for injury prevention.

The WCB and Workplace Safety and Health have embarked upon an ambitious injury and illness prevention strategy. The overall goals of the plan are twofold: to create in our province a culture which values and promotes healthy and safe workplaces and to achieve a 25% reduction in the time loss injury rate over five years.

The WCB and Workplace Safety and Health are now developing a public awareness campaign to support this initiative. In 2003, this will focus on developing and launching a new injury prevention brand identity and promoting a universal model of risk management based on models used successfully elsewhere. The second phase of the campaign will support focused prevention campaigns that will address specific types of common, but easily preventable injuries, such as falls, and injuries to the eyes, hands, feet and head.

A Young Worker Safety and Education Initiative will develop and promote occupational health and safety information and resources that can be included in the kindergarten to grade 12 school curriculum.

The WCB is working with healthcare providers to improve the reporting, diagnosis and investigation of occupational illnesses.

The WCB and Workplace Safety and Health are working to encourage other industries to form new industry based safety programs in 2003.

The WCB will also expand the use of the "ScoreCard," the interactive performance feedback tool that recapitulates an employer's previous five years' claims costs and projects assessments for the next five years. It has been piloted with a small number of large-sized employers.

RECOVERY: RETURNING WORKERS TO HEALTH AND WORK

The primary goal of the WCB is to return injured workers to health and ensure that they can continue productive employment. The WCB is actively pursuing many strategies for improving workers' timely return to health and work.

Returning Workers to Health

The WCB has the task of ensuring that injured workers receive appropriate and timely healthcare to speed their return to health and productive work. The WCB will develop a comprehensive healthcare strategy to ensure that internal healthcare advisors deliver efficient and cost effective advisory and consultation services to staff and claimants, and to encourage the use of evidence based clinical guidelines.

The WCB has a particular interest in the state of Manitoba's healthcare system because it relies on this system to deliver key health services to injured workers. The quality and timelines of Manitoba's healthcare system has a direct bearing on the health outcomes of injured workers.

One of the major challenges is to maximize claimants' access to healthcare services, including diagnostic and surgical services. If claimants do not have to wait as long to access diagnostic and surgical services, better health outcomes will be achieved. The WCB will examine surgical outcomes, advanced diagnostic techniques, and improved evaluation and management of waiting lists. The effort to improve access to healthcare will be challenging because it necessarily involves a large number of external stakeholders outside the WCB's direct influence.

The WCB's healthcare costs have the potential to spiral upwards at a dramatic rate leading the WCB to include an increase of close to 20% for its 2003 budget. The WCB has identified the need to monitor and manage healthcare costs wherever possible.

Early Return to Work

Successful return to work depends on mutual trust between the employer and the injured worker. A culture needs to be built that views returning to work shortly after being injured as both natural and part of the health recovery process. This process should include workers, employers, and the WCB—with the WCB intervening and acting as facilitator only when necessary. Unions (if present in the workplace) and the joint safety and health committee or representative should also be involved.

The WCB has appointed a Return to Work Manager to oversee and coordinate activities now underway to enhance return to work services. An external stakeholder advisory group will also be established with a mandate to provide the WCB with constructive advice on all aspects of return to work for injured workers. A follow up to the June 2002 seminar will be held with stakeholders in 2003 to address the actions that have taken place and to review next steps and other issues that need to be addressed. Seminars are expected to be held regularly in the future to ensure stakeholder input in the return to work process.

SERVICE: CONTINUOUSLY IMPROVING SERVICES TO WORKERS AND EMPLOYERS

Understanding customers' needs and expectations is the first step in ensuring that the WCB continually improves its service. The WCB must ensure that workers and employers have access to the services they need when they need them. It must deliver services that meet or exceed stakeholder expectations. It must measure stakeholder perceptions of WCB service delivery in order to identify any shortfalls. With customers' priorities in mind, the WCB is able to focus its improvement efforts in areas that matter most to them.

Adjudicate and Pay Process

As part of its business renewal plan, the WCB is moving forward with a redesign of the adjudicate and pay process. This project will help meet injured workers' need for faster and enhanced services and, as a result, help reduce the stress and hardship resulting from a workplace injury.

The main goals of this redesign are:

- to dramatically reduce days from notification of accident to adjudication,
- to significantly reduce days from notification of accident to first payment,
- to increase client satisfaction by speeding the claims process,
- to maximize operational efficiency where appropriate,
- to maximize the effectiveness of our resources, and
- to align and integrate the adjudicate and pay process with the receive and register process and the case management model.

The first phase of this redesign evaluated existing processes, identified options for redesign, and developed a conceptual design. Implementation commenced in 2002 and will continue in a phased approach over the next several years.

In the coming year, various occupations within the Short Term Claims area will be redefined and the Claim Information System will be enhanced to allow additional information to be gathered at the time claims are registered. In the following few years, a new claims system will be developed and implemented that will lead to an electronic claims file system. At the end of the redesign, plans call for Short Term Claims and Case Management to be consolidated.

A Comprehensive Service Improvement Plan

The WCB is approaching service improvement through a comprehensive plan that has several different thrusts. Some components of the plan are:

- improving the customer feedback loop; the WCB will enhance its customer survey tools and improve the way that it uses the information these tools provide,
- creating a cross functional steering committee; a Service Quality Committee will provide overall direction to the service improvement initiative, examining trends and issues in customer service, determining priorities for improvement, allocating resources to quality improvement projects, and monitoring progress,

- customer service training; a customer service training program will be rolled out in 2003, targeting all parts of the organization,
- developing customer focused service standards; developing a framework of customer focused service standards is a key part of strengthening the service culture; this will allow the WCB to measure and monitor how well it is meeting customer expectations, and
- launching service improvement projects; including improving the way the WCB delivers customer service on the telephone and enhancing the quality and consistency of correspondence.

STEWARDSHIP: EFFECTIVELY MANAGING HUMAN, TECHNICAL AND FINANCIAL RESOURCES

The concept of stewardship drives the WCB to ensure that all aspects of its operations—including its finances, human resources, and supports such as policies—are complementary and well managed. One of the key components is creating data collection and measurement systems that can effectively support operations. The WCB will also be undertaking process improvement reviews to identify the potential for efficiencies and service improvement.

Investing for the Future

Capital markets around the world experienced a severe downturn beginning in 2000. This downturn, or "bear market", is a natural behavioural pattern for equity markets. In the past 30 years, there have been five bear markets including the current session. The previous four downturns were all followed by significant recoveries.

The WCB remains confident that its balanced portfolio (including equities from Canada, the United States and elsewhere in the world, fixed income vehicles, and real estate) will produce attractive investment returns, meeting the "actuarial" net return rate of 7% over the long run. The WCB's goal is to enhance its financial position further to protect the WCB and employers against unforeseen difficulties and premium rate increases.

The WCB has developed an investment policy that formalizes its decade long commitment to invest in Manitoba when returns and risks are comparable to that of other investments. The WCB believes it is a leader among Manitoba crown agencies and pension plans in establishing, publicizing, and implementing such a policy.

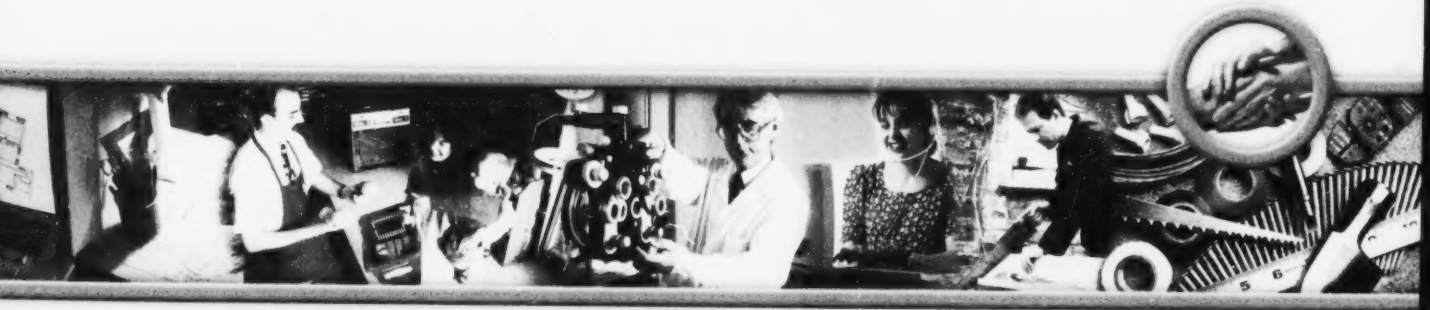
Premium Rates

From January 1, 1999 to June 30, 2002, the budgeted average assessment rate in Manitoba was $1.49 per $100 of assessable payroll. As a result of the decline in the WCB's investment revenues, the WCB increased the average premium rate charged to employers for WCB coverage from $1.49 to $1.56 effective July 1, 2002. The budgeted average assessment rate for 2003 remains unchanged from 2002 at $1.56.

Decreasing revenues as a result of the downturn in investment income and increasing claims costs have caused increases in WCB premium rates across Canada. Average rates in other provinces in 2002 ranged from $1.68 to $3.24. For 2003, Manitoba will still have the lowest average WCB assessment rate among the provinces.

Human Resources

One of the most significant tasks for the Human Resources area in 2003 will be the negotiation of a new collective bargaining agreement with the union representing WCB staff.



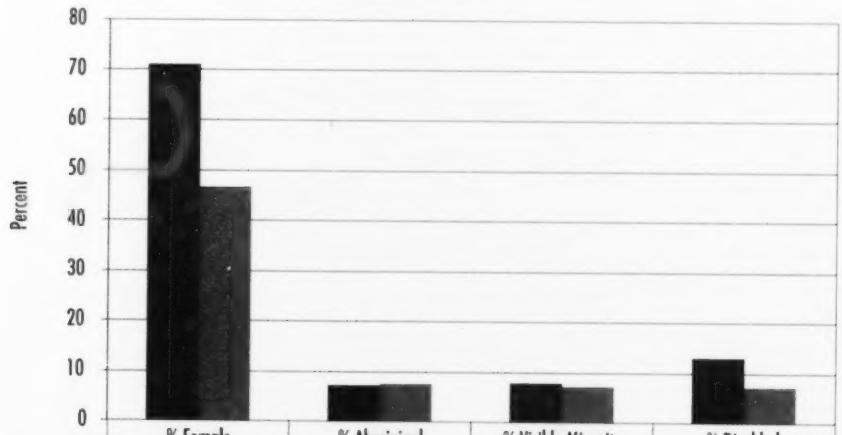
The WCB will launch strategies to build capacity among its staff. A number of new staff training areas, including customer service, employment equity training, and management training will move forward. Work will also start on improving the reward and recognition system. These strategies will emphasize the provision of superior customer service.

Employment Equity

The WCB has established an Employment Equity Committee with union and management representation. This committee undertook a survey of staff to identify their employment equity characteristics. The survey results suggest that the WCB is doing well with respect to the employment of the four equity groups—women, Aboriginal peoples, persons with disabilities and visible minorities. The WCB is committed to maintaining and improving its record.

The WCB will conduct an employment equity systems review, expand employment equity related education, continue to communicate employment equity activities, and complete a facilities audit. Employment equity will continue to be an area of concentration over the planning period. The WCB aims to be an employer of choice for equity groups.

Comparison of WCB Workforce with Manitoba Labour Force*



	% Female	% Aboriginal	% Visible Minority	% Disabled
■ WCB Workforce	71.0	7.2	7.8	12.9
■ Manitoba Labour Force	46.6	7.5	7.2	7.2

* Based on 1996 Census

Research and Policy

The WCB will continue to review its policies to ensure that services and benefits are fair to all stakeholders and that they increase the WCB's flexibility to address the individual circumstances of clients.

During the coming planning period, the WCB will develop policies to support the adjudication and pay process redesign and others that aid in the adjudication of claims submitted by professional firefighters. Policies will be developed to assist the return to work process and in the areas of vocational rehabilitation services and case management as a result of studies of these areas conducted in 2002.

CONCLUSION

This Five Year Plan outlines four strategic themes identified by the WCB and the goals the organization has set within these themes for the next five years. The themes of Prevention, Recovery, Service, and Stewardship will direct the WCB's actions to key goal areas, paying attention to critical success factors.

The WCB will play an important role as a partner in the province's injury prevention strategy, financially supporting a campaign to raise awareness of the need to prevent injuries and illnesses in the workplace. Joint planning between the WCB and the Workplace Safety and Health Division of Manitoba Labour and Immigration will direct critical resources to this strategically important area. Prevention is the key to reduced injury rates and to safe and healthy workers.

The WCB has directed much of its efforts to minimizing the impact of workplace injuries and illnesses and to providing better service to clients. The modified and alternate return to work action plan, healthcare strategy, and adjudicate and pay process redesign will help ensure that our clients continue to receive excellent service.

The WCB will support a competitive provincial economy by keeping its assessment rates and administration costs low. The WCB will do this as it strives to maintain and improve service to workers and employers, as measured by them. This will be a significant challenge over the next five years.

The Workers Compensation Board is committed to reducing the provincial time loss injury rate by 25% over five years. There will be challenges ahead, but the WCB is well positioned to sustain the confidence and support of stakeholders—workers, employers, the public and government—as we work with our partners to build a safer and healthier Manitoba.

To do all this while remaining fiscally responsible in the face of difficult investment markets and rising premium rates across Canada will be a stern test. The budgeted and projected financial statements for the years 2003 to 2007 are presented in the following section. These financial statements are accompanied by a discussion of the fiscal outlook, the assumptions used in developing the Five Year Plan and the risks associated with this Plan.

BUDGETED AND PROJECTED FINANCIAL STATEMENTS FOR 2003–2007

The Five Year Plan financial statements covering the budget for the year ending December 31, 2003 and the projections for the years 2004 to 2007 are shown on pages 24 to 27. These projections were prepared using a proposed increase in premium rates to $1.66 by 2006, the key assumptions shown on pages 28 to 30, as well as the WCB's accounting policies described in the Notes to the Financial Statements in the 2002 Annual Report. The WCB's future operating results depend on several key variables, including:

Investment returns – consistent with the rate of return used by the actuaries to calculate the present value of the benefit liabilities, the WCB has assumed that investments will, on average, earn a net 7% return over the next five years. Superior performance to this assumption will improve the WCB's operating results, while poor returns will put increasing pressure on premium rates.

Time loss injury rate – in conjunction with the recommendations released in early 2002 by the Review Committee on Improving Workplace Safety and Health, the Five Year Plan includes a reduction in the injury rate by 25% over a five year period. Achieving this reduction is critical to meeting the operating results noted in the Plan. If this target is not met, claim costs incurred could be significantly higher than projected in the Five Year Plan.

Disability management – a new Case Management Model was introduced in October 2000 and has shown positive signs of improvement in the WCB's methods of dealing with claimants and employers. The success of the disability management process is important to help ensure rapid return to health for injured workers and keep claims costs under control.

Premium revenue – as the most significant revenue stream, employer premiums play a major role in determining the WCB's operating results. While the revenue amount will grow along with the economy through higher employment and wage levels, premium rate projections, which have a direct impact on future results, have remained unchanged from the rates proposed in the 2002 Five Year Plan. While the budgeted average rate for 2003 is unchanged from 2002, future rate increases are projected to be phased in as follows:

	2003	2004	2005	2006	2007
Average premium rate	$ 1.56	$ 1.60	$ 1.63	$ 1.66	$ 1.66
Operating surplus/ (deficit)(in $ millions)	$ 0.1M	$ (10.2M)	$ (7.7M)	$ 7.4M	$ 13.9M

OPERATING RESULTS

The Five Year Plan projections which follow indicate that the WCB's operating results will range from a deficit of $10.2 million in 2004 to a surplus of $13.9 million in 2007. Over the five years, the operating results aggregate to a net surplus of $3.5 million, which will cause the Board's reserves to rise from $75.2 million at the end of 2002 to $78.7 million by December 2007.

The WCB's two reserves, the Rate Stabilization Fund and the Accident Fund, are available to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or injury claim costs. The target levels for both of these reserves are based on actuarial funding formulae that are responsive to changes in the size of the WCB's operations. Projections show that these reserves should grow to $118.8 million in aggregate by the year 2007 in order to be considered fully funded. This is still well above the projected actual balance of $78.7 million at that time.

2003

For 2003, it is budgeted that operations will result in a small surplus.

Aggregate revenue will rise slightly in 2003 by almost $3 million. Premium revenue will climb by $11 million due to higher assessable payrolls – resulting from wage increases and rising employment levels – and the full year impact of the premium rate increase on July 1, 2002. This will be offset by a further decline in investment revenue of $9 million resulting from investment losses in the bear market for equities from 2000 to the end of 2002. The WCB's accounting policy recognizes investment gains and losses over 60 months to smooth out volatility in investment revenue.

Claim costs incurred are budgeted to remain virtually unchanged from 2002 at almost $133 million. Expected increases in average costs will be offset by the anticipated reduction in the number of claims. The actuarial future costs for claims decreased in 2002 due to fewer claims and lower average costs. Future costs are expected to increase in 2003 by $11 million, historically a normal level. This is budgeted to be offset by a reduction in the long latency component of the benefit liabilities. The WCB is planning a review of this liability as the Manitoba WCB has the highest allocation to this component of any of the WCBs in Canada. It is estimated this review will allow a reduction in benefit liabilities of $20 million in 2003, which is shown as a decrease in claim costs.

Operating expenses are budgeted to increase by 2%, less than the projected inflation rate for 2003. The net result is a budgeted operating surplus of $121,000.

2004-2007

The lingering effects of the bear market investment losses will require the WCB to increase average premium rates from $1.56 to $1.66 by 2006. This additional premium revenue will offset the shortfall in investment revenue and increase total revenue from $180 million in 2002 to $236 million by 2007.

It is projected that claim costs incurred will rise to $156 million in 2004, a normal level after two years of reductions in the actuarial value for future costs of benefit liabilities. The expense level is projected to climb to $168 million by 2007 as reductions in the injury rate over five years are offset by expected higher costs in wage levels and healthcare charges.

Operating expenses are presumed to grow at a level consistent with inflation.

As claim costs incurred are expected to return to normal levels in 2004, the WCB projects an operating deficit of $10 million for that year. These losses will diminish as premium rate increases become effective, resulting in a smaller deficit of roughly $7 million in 2005 and operating surpluses of $7 million and $14 million respectively in 2006 and 2007.

Workers Compensation Board
Balance Sheet (Unaudited)
as at December 31

(In thousands of dollars)	2002 Actual	2003 Budget	2004 Projection	2005 Projection	2006 Projection	2007 Projection
Assets						
Cash	$ (371)	$ 825	$ 640	$ 277	$ 139	$ 714
Receivables	23,322	26,041	26,475	27,903	29,355	30,489
Investment portfolio	712,634	695,424	690,764	685,549	695,372	716,570
Deferred assessments	20,899	20,191	21,247	22,393	22,991	22,981
Capital assets	12,484	13,134	13,634	13,934	13,934	13,934
	$ 768,968	$ 755,615	$ 752,760	$ 750,056	$ 761,791	$ 784,688
Liabilities and Fund Balances						
Payables and accrued liabilities	$ 15,817	$ 16,099	$ 16,376	$ 16,646	$ 16,894	$ 17,324
Benefit liabilities	677,965	664,209	671,301	675,993	680,055	688,645
Total liabilities	693,782	680,308	687,677	692,639	696,949	705,969
Rate stabilization fund balance	55,168	55,289	45,065	37,399	44,824	58,701
Accident fund balance	20,018	20,018	20,018	20,018	20,018	20,018
	$ 768,968	$ 755,615	$ 752,760	$ 750,056	$ 761,791	$ 784,688
Funding Ratio (AWCBC method)	102.7%	102.7%	102.7%	102.7%	102.7%	102.6%

Workers Compensation Board
Statement of Operations (Unaudited)
for the Years Ending December 31

(In thousands of dollars)	2002 Actual	2003 Budget	2004 Projection	2005 Projection	2006 Projection	2007 Projection
Projected Average Premium Rate	$1.49/1.56	$ 1.56	$ 1.60	$ 1.63	$ 1.66	$ 1.66
Revenue						
Premiums - Class E employers	$ 129,073	$ 139,734	$ 148,568	$ 157,210	$ 166,141	$ 172,424
Premiums - Self-insured employers	16,945	18,100	18,226	18,517	18,657	19,456
Total premium revenue	146,018	157,834	166,794	175,727	184,798	191,880
Investment income	33,841	24,772	28,288	23,199	31,703	44,043
Total revenue	179,859	182,606	195,082	198,926	216,501	235,923
Expenses						
Claim costs incurred	131,910	132,852	156,363	156,639	157,448	168,380
Operating expenses	47,931	48,925	49,999	51,099	52,226	53,656
Total expenses	179,841	181,777	206,362	207,738	209,674	222,036
Operating surplus(deficit) before deferred assessments	18	829	(11,280)	(8,812)	6,827	13,887
Increase (decrease) in deferred assessments	27	(708)	1,056	1,146	598	(10)
Operating Surplus (Deficit)	$ 45	$ 121	$ (10,224)	$ (7,666)	$ 7,425	$ 13,877

Workers Compensation Board
Statement of Changes in Fund Balances (Unaudited)
for the Years Ending December 31

(In thousands of dollars)	2002 Actual	2003 Budget	2004 Projection	2005 Projection	2006 Projection	2007 Projection
Rate Stabilization Fund Balance						
Balance at beginning of year	$ 55,123	$ 55,168	$ 55,289	$ 45,065	$ 37,399	$ 44,824
Allocation from operating surplus (deficit)	45	121	(10,224)	(7,666)	7,425	13,877
Balance at end of year	$ 55,168	$ 55,289	$ 45,065	$ 37,399	$ 44,824	$ 58,701
Accident Fund Balance						
Balance at beginning of year	$ 20,018	$ 20,018	$ 20,018	$ 20,018	$ 20,018	$ 20,018
Allocation from operating surplus (deficit)	0	0	0	0	0	0
Balance at end of year	$ 20,018	$ 20,018	$ 20,018	$ 20,018	$ 20,018	$ 20,018

Workers Compensation Board
Statement of Cash Flows (Unaudited)
for the Years Ending December 31

(In thousands of dollars)	2002 Actual	2003 Budget	2004 Projection	2005 Projection	2006 Projection	2007 Projection
Operating Cash Flows						
Premiums from employers	$145,380	$ 155,114	$ 166,359	$ 174,298	$ 183,346	$ 190,747
Payments to claimants or third parties on their behalf	(137,076)	(146,608)	(149,271)	(151,946)	(153,386)	(159,790)
Purchases of administration goods and services	(41,500)	(45,292)	(46,221)	(47,129)	(47,978)	(49,227)
Net cash used by operating activities	(33,196)	(36,786)	(29,133)	(24,777)	(18,018)	(18,270)
Investing Cash Flows						
Proceeds from investment portfolio	33,739	41,982	32,948	28,414	21,880	22,845
Capital asset acquisitions, net of disposals	(2,939)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Net cash provided by investing activities	30,800	37,982	28,948	24,414	17,880	18,845
Net increase/(decrease) in cash	(2,396)	1,196	(185)	(363)	(138)	575
Cash at beginning of year	2,025	(371)	825	640	277	139
Cash at end of year	$ (371)	$ 825	$ 640	$ 277	$ 139	$ 714

NOTE: Proceeds from investment portfolio include the following categories: investment revenue, proceeds on disposal of investments, purchase of investments and portfolio management expenses.

KEY ASSUMPTIONS
OF THE FIVE YEAR PLAN (2003–2007)

The following key assumptions, as at November 18, 2002, were used to develop the 2003 Five Year Plan.

General Assumptions:

1) Employment growth impacts premium revenue as well as claim costs through the level of accidents. Employment growth is expected to be slightly below 1% in each of 2003 through 2007, ranging from 0.7% to 0.9%. (Based on models developed by the Manitoba Bureau of Statistics (MBS).)

2) The Average Weekly Wage (AWW) is assumed to increase by 3.0% in 2003 through 2007 (MBS).

3) Inflation (CPI) is predicted to be between 2.0% and 3.0% over the next five years. For the Five Year Plan it is assumed to be 2.5% per year.

Premium Assumptions:

1) Assessable payrolls are assumed to increase by 3.6% to $8.9 billion in 2003 as a result of the assumptions on employment growth and wage increases. Payroll will grow by 3.7% in 2004, 3.9% in 2005 and by 3.8% per year thereafter.

2) The average premium rate will be $1.56 per $100 of assessable payroll in 2003, increasing to $1.60 for 2004, $1.63 for 2005 and $1.66 for 2006 and 2007.

3) Interest and penalty revenue of $0.8 million per year is included in premium revenue.

Investment Portfolio Assumptions:

1) Investment returns have been very disappointing in recent years. The WCB's portfolio managers have offered a range of predictions for 2003: Canadian equities up 8 to 13.5%, U.S. equities up 8 to 15%, Europe, Australia & Far East (EAFE) stocks up 8 to 15% and Canadian bonds either remaining flat or growing 5% depending on interest rate changes. Overall this would yield a portfolio return of 4% at the low end or 9% using the optimistic predictions.

   For the Five Year Plan, the WCB is using an overall annual net return of 7%, which is the long term average return used to discount the WCB's liabilities. Investment income for 2003 – 2007 is based on the following expected total rates of return (income plus market growth) by asset class:

	2003 – 2007
Canadian equities	10.5%
U.S. equities	9.0%
International equities	7.5%
Canadian bonds	5.5%
Other investments	3.0% to 8.0%
Expenses	(0.5%)
Overall Net Return (weighted average)	7.0%

2) The WCB uses its investment returns to supplement premium revenue to fund its operations. Annual withdrawals from the portfolio will total $42.0 million in 2003 and approximately $22 - $33 million per year thereafter.

Benefit Assumptions:

1) The budgets are based on existing legislation and administrative policies. Any significant changes to *The Workers Compensation Act of Manitoba* or to WCB policies will be dealt with as budget amendments as they arise.

2) The injury rate for time loss accidents was 5.2% in 2001 and declined to 5.0% for 2002. It is projected to drop to 4.8% in 2003 and then continue to decrease to 3.9% by 2006, remaining flat in 2007. This represents the target of a 25% reduction in injuries announced by the Minister of Labour and Immigration.

3) As a result of the various aforementioned assumptions, compensation claims in pay are expected to be:

	Compensation Claims in Pay	Change
2002 Actual	20,970	(3.9%)
2003 Budget	20,130	(4.0%)
2004 Projection	19,230	(4.5%)
2005 Projection	18,350	(4.6%)
2006 Projection	17,220	(6.2%)
2007 Projection	17,360	0.8%

4) Wage loss compensation is based on the injured worker's pay after income taxes. Federal and provincial income tax reductions resulted in compensation wage loss payments to claimants increasing by 1.7% in 2002. Further reductions in income tax rates are projected to result in increases of 0.2% in wage loss payments in 2003 and each year thereafter.

5) Another factor expected to drive up the average cost of a compensation claim is the reduction in the injury rate. Anecdotal evidence suggests that the accidents that will be avoided are those with relatively lower severity and, hence, costs. An incremental 2.5% has been added to the annual wage increase to provide for the potential increased average severity of claims.

6) As a result of the aforementioned assumptions, the average cost per compensation claim is expected to be $2,357 in 2003, an increase of 6.2% over 2002. It is projected that this will continue to increase by 5.7% in future years.

The average cost of a rehabilitation claim is budgeted to climb 2.3% in 2003 to $12,869 followed by annual increases of 3.2% in the years thereafter.

7) The 2003 budget for healthcare benefits is based on an analytical review of historical trends by individual healthcare expense. The budget is based on contractual arrangements in place in November 2002 and price increase assumptions for contracts currently under negotiation. The Five Year Plan projections are based on an annual increment in medical aid expenses of healthcare inflation of 6% after 2003 and a reduction in claims of 3.0% for 2004 and 2005, 4.0% in 2006 and 0.0% for 2007.

8) A review of the long latency component of the future cost liabilities is expected to be undertaken in 2003 as the Manitoba WCB has the highest allocation to this component of any of the WCBs in Canada. It is budgeted that this review will allow a reduction in benefit liabilities of $20 million in 2003. This reduction is shown as a decrease in claim costs incurred.

Operating Expense Assumptions:

1) For the purposes of the Five Year Plan administration expenses are assumed to grow at the level of inflation (CPI) after 2003, i.e. at 2.5%.

2) Levies for the Workplace Safety and Health Division and the Worker Advisor Office were $6.4 million in 2002 and are assumed to increase to $6.6 million for 2003 through 2006. Based on program cost spending levels it is assumed that the funding will increase to almost $6.9 million in 2007.

3) Capital asset expenditures are budgeted to be $4.0 million in 2003, being comprised of approximately $1.8 million in new capital projects and $2.2 million to complete multi-year projects begun in prior years. Capital expenditures are projected to continue at the $4.0 million level per year thereafter, broken down as $3.8 million for Information Technology initiatives and $0.2 million for other capital items. Depreciation charges are budgeted at $3.4 million in 2003, escalating to $4.0 million per year by 2006.

RISKS

The 2003 budget and the projections for 2004 to 2007 have been prepared using assumptions that are considered reasonable and probable. Actual results achieved for these five years will vary from the information presented and the variations may be material.

The two areas that have the greatest potential variation are investment income and claim costs incurred.

Investment income is budgeted to be $24.8 million in 2003 and is expected to range from $23.2 million to $44.0 million from 2004 to 2007. While these revenue expectations are based on assumptions for rates of return and cash flows that are viewed as reasonable, fluctuations will occur and these fluctuations can be significant. Given the WCB's reliance on investment income to stabilize premium rates, further decreases in investment returns due to market declines may result in additional increases in premium rates.

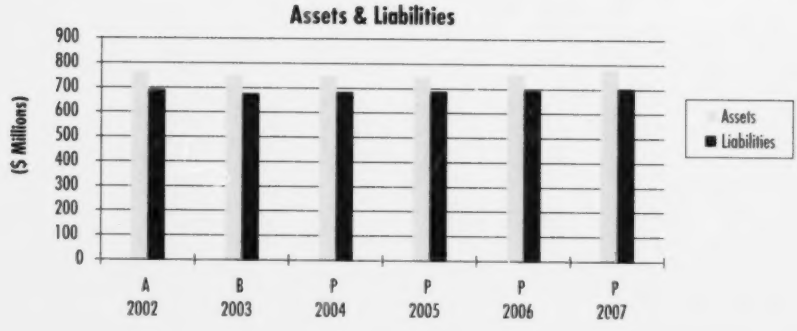
Claim costs incurred include the amounts spent in the current year for new claims, as well as the expected future costs to be incurred for those claims. Claim costs also include any adjustments to the estimated future costs for claims arising from prior years. The two measures with the greatest impact on claim costs are accident levels and costs per claim.

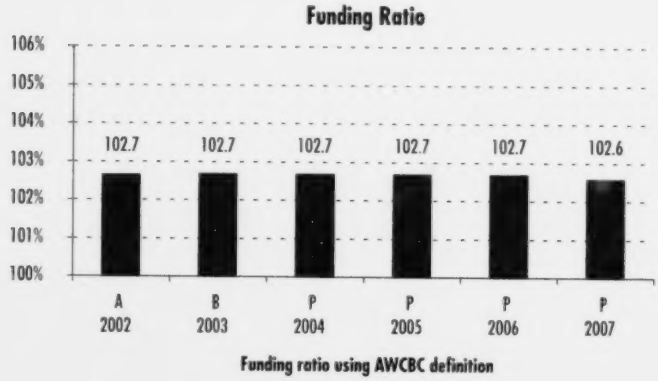
i) The Five Year Plan incorporates the safety initiative introduced by the Minister of Labour and Immigration to reduce the injury rate in Manitoba by 25% over five years. An inability to achieve these reductions will lead to higher accident and claims volumes and correspondingly higher expenses.

ii) Costs per claim are budgeted based on assumptions for wage increases, income tax changes, and inflation for healthcare costs. The average cost per claim is also quite sensitive to the proportion of old and new claims in the payment mix. Older claims, which are more expensive, have increased as a relative percentage in recent years. The reduction projected in new claim levels may lead to significant increases in the average cost per claim if the WCB is unable to stem the growth in prior year claims.

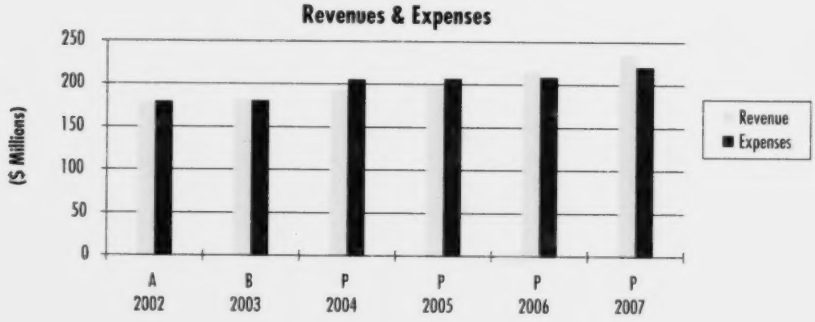
Claim costs incurred can also be affected dramatically by a small number of expensive claims, such as fatalities where there are young dependants surviving the deceased worker.

FINANCIAL HIGHLIGHTS
OF THE FIVE YEAR PLAN





Funding ratio using AWCBC definition



A = actual B = budget P = projection

Espresso

WCB

Workers Compensation
Board of Manitoba